

A brief discussion of Virtual Inspection approaches in the wake of the COVID-19 Pandemic.

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The COVID-19 pandemic has dramatically altered the appraisal environment. For Machinery and Equipment (“M&E”) valuations, one example of change during this challenging time will be a temporary hold on the ability to conduct on-site inspections or inventories as part of our engagements. Stay-at-home orders by Federal, State and Local authorities and eligibility of an appraiser being an essential worker are examples of restrictions that can inhibit a site inspection or inventory of a location. Thankfully there are some temporary alternatives to a formal site inspection, consisting of a “Virtual Inspection”, that can be considered for such an engagement. If documented properly a Virtual Inspection will result in a credible conclusion that will allow work to be completed without unnecessary delay rather than creating a considerable backlog to swamp your teams when the “all clear” is given.

Here are some Virtual Inspection approaches that should be considered as an alternative to a site inspection:

- Utilization of an existing depreciation schedule/fixed asset record
 - Conducting a Fixed Asset Record Review conference call for purposes of gaining an understanding of the records and confidence that the records reflect what is at the location(s).
 - Identify major assets from review of the records and enlist the assistance of personnel familiar with the equipment at the location(s) to take photographs of these assets for reconciliation purposes.
 - Follow up discussions with personnel to gather any other data as required, such as utility, replacement cost new, useful life, etc.
- Formal Inventory of the equipment needed as no depreciation schedule/fixed asset record is available.
 - Have someone at the site that is familiar with the equipment to inventory the M&E.
 - The appraiser would provide guidance to the site contact prior to the inventory as to how to describe the asset (manufacturer, model, location, etc.), what capitalization guidelines are appropriate (replacement cost new of \$500 or greater, for example), how to take photographs of the material assets, and input either through Microsoft Excel or some other platform.
 - The inventory will then be uploaded by the appraiser and analyzed.
- Reliance on photographs or video from the site contact for the appraiser to compile a listing of the M&E that needs to be valued.
 - Will require feedback from the site contact to clarify descriptions, etc.
 - Appraiser would then submit the list to the site contact for review and acceptance.

Regardless of the approach taken the Virtual Inspection process will require collaboration between the appraiser, client, and site contacts to ensure that the subsequent analysis by the appraiser can proceed in a timely manner. Communication will be the key during this temporary alteration of the appraisal landscape and will help us as we eventually return to normal.